

STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL SERVICES DIVISION
P. O. BOX 942850
Sacramento, CA 94250-5878

DATE: July 23, 2018

PAYROLL LETTER #18-010
(Civil Service Only)

TO: All Agencies in the Uniform State Payroll System

FROM: Marissa Revelino, Chief
Personnel/Payroll Services Division

**RE: OTHER POST-EMPLOYMENT BENEFITS (OPEB) PREFUNDING EFFECTIVE
JULY 1, 2018**

In accordance with Bargaining Unit (BU) Memoranda of Understanding (MOU) and Government Codes 22940 - 22944.5, effective July 1, 2018, the State Controller's Office (SCO) will begin withholding Other Post-Employment Benefits (OPEB) Retiree Health contributions from eligible employees in **BU01, BU03, BU04, BU11, BU14, BU15, BU17, BU20, and BU21**. In accordance with CalHR directive and Government Codes 22940 - 22944.5, effective July 1, 2018, the State Controller's Office (SCO) will also begin withholding OPEB Retiree Health contributions from eligible employees in **Excluded or Exempt** positions not tied to a specific BU.

Effective July 1, 2018, OPEB Retiree Health contribution rates for **BU02, BU06, BU07, BU08, BU09, BU10, BU12, BU13, BU16, BU18, and BU19** will increase.

For specific information regarding eligibility and policy details, please refer to CalHR's Policy Statement at the following link: <http://hrmanual.calhr.ca.gov/Home/ManualItem/1/1422>

For specific information regarding contribution rates for BUs, please refer to the Memoranda of Understanding at the following link: <https://calhr.ca.gov/state-hr-professionals/pages/bargaining-contracts.aspx>

For specific information regarding contribution rates for Excluded or Exempt positions not tied to a specific BU, please refer to the CalHR announcement dated July 17, 2018.

OPEB contributions will be calculated as a percentage of an employee's total pensionable compensation (i.e., all payments with a retirement gross) for a given pay period, with matching employee and employer contributions. OPEB deductions for both positive and negative paid employees will be taken one month in arrears. **The first deductions will be calculated based on payments issued for the July 2018 pay period (withheld from the August 2018 pay period).**

The following provides an example of how an OPEB contribution will be calculated for an eligible employee. **Please note: the example represents only a sample of what could issue for a pay period, and is not inclusive of all payments subject to retirement.**

Determine Total Retirement Gross Subject Amount for the pay period:

| July 2018 Payments | Subject to Retirement? | Retirement Gross Subject Amount |
|--|-------------------------------|--|
| Regular Pay | Yes | \$ 5,171.00 |
| Regular Shift Differential | Yes | \$ 264.00 |
| Overtime Shift Differential | No | \$ 0.00 |
| Total Retirement Gross Subject Amount | | \$ 5,435.00 |

Multiply the Total Retirement Gross Subject Amount by the OPEB % for the BU to determine the OPEB deduction amounts for the pay period. In this example no BU is specified, and a 2.3% OPEB rate is used for demonstration only.

| Total Retirement Gross Subject Amount for July 2018 Pay Period | OPEB % | July 2018 OPEB Employee Contribution withheld from August 2018 Pay |
|---|---------------|---|
| \$ 5,435.00 | 2.3% | \$125.01 |

OPEB contributions will be deducted on a pre-tax basis, unless the employee is on a disability leave that requires the deductions to be taken on a post-tax basis. The following OPEB deduction codes will be used effective July 1, 2018:

| BU/EE Group | Pre-Tax Ded. – Org. | Post-Tax Ded. – Org. |
|--|----------------------------|-----------------------------|
| BU01 | 354 – 089 | 354 – 090 |
| BU02 | 354 – 073 | 354 – 074 |
| BU03 | 354 – 089 | 354 – 090 |
| BU04 | 354 – 089 | 354 – 090 |
| BU06 | 354 – 063 | 354 – 064 |
| BU07 | 354 – 075 | 354 – 076 |
| BU08 | 354 – 077 | 354 – 078 |
| BU09 | 354 – 079 | 354 – 080 |
| BU10 | 354 – 081 | 354 – 082 |
| BU11 | 354 – 089 | 354 – 090 |
| BU12 | 354 – 093 | 354 – 094 |
| BU13 | 354 – 083 | 354 – 084 |
| BU14 | 354 – 089 | 354 – 090 |
| BU15 | 354 – 089 | 354 – 090 |
| BU16 | 354 – 095 | 354 – 096 |
| BU17 | 354 – 089 | 354 – 090 |
| BU18 | 354 – 085 | 354 – 086 |
| BU19 | 354 – 087 | 354 – 088 |
| BU20 | 354 – 089 | 354 – 090 |
| BU21 | 354 – 089 | 354 – 090 |
| Excluded/Exempt Not Tied to a Specific BU | 354 – 091 | 354 – 092 |

The Payroll Procedures Manual (PPM) Section B will be updated to reflect the new deduction-organization codes.

An OPEB deduction will be applied each pay period, regardless of an employee's pay frequency. Both the employee and employer contributions will be reflected on the employee's Direct Deposit Advice/Earnings Statement. The employee contribution will be reflected under DEDUCTIONS as "CERBT," which represents the California Employers' Retiree Benefit Trust. The employer contribution will be included in the HLTH/FLEX amount.

When using SCO's Paycheck Calculator, please include the pre-tax OPEB deduction (*CERBT) in the "Total Other Flex Deductions" entry, and the post-tax OPEB deduction (CERBT) in the "Total Voluntary Deductions" entry. The Paycheck Calculator can be downloaded from SCO's website at the following link: https://sco.ca.gov/ppsd_se_paycheck_calc.html

Please direct questions related to OPEB as follows:

| SUBJECT AREA | CONTACT | TELEPHONE NUMBER |
|--|------------------------------------|------------------|
| Program Administration (e.g., rules, regulations, benefits/pay impacts) | Personnel Services Branch CalHR | (916) 323-3343 |
| General Payroll Procedures Disability Payroll Procedures Employment History Procedures | Customer Contact Center SCO | (916) 372-7200 |

MR:AC:PMAB